

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT:

Virginia Gas Exploration Company,)
Successor to Edwards and Harding)
Petroleum Company (herein "Designated)
Unit Operator"))

) DOCKET NO.
) VGOB 92-0317-0205-01

RELIEF SOUGHT:

Issuance of a Second Amended Supplemental)
Order Amending Prior Orders Affecting)
Conventional Gas Drilling Unit Served by)
Well EH-65 (herein "Subject Drilling Unit"))
to Provide:)
(1) for the Calculation of Funds the)
Designated Unit Operator heretofore)
Deposited into the Escrow Account for)
Subject Drilling Unit That are Attributable)
to the Gas Interests of Nancy Hill, Deceased,)
(herein "Heirs"))
(2) to Provide to the Heirs, a Royalty)
Accounting; and)
(3) to Order Disbursement to the Heirs, as)
applicable, Funds Deposited by the Unit)
Operator into the Escrow Account that are)
Attributable to their Respective)
Conventional Gas Interests In Subject)
Drilling Unit)

REPORT OF THE BOARD

FINDINGS AND ORDER

1. **Hearing Date and Place:** This matter came on for hearing before the Virginia Gas and Oil Board (herein "Board") at 9:00 a.m. on September 22, 1999 at the Southwest Higher Education Center, Campus of Virginia Highlands Community College, Abingdon, VA.
2. **Appearances:** J. E. Talkington, III, Vice President of Land and Legal Affairs for the Designated Unit Operator appeared for the Applicant; and Sandra B. Riggs, Assistant Attorney General, was present to advise the Board.
3. **Jurisdiction and Notice:** Pursuant to Va. Code §§ 45.1-361.1 *et seq.*, and in particular Va. Code § 45.1-361.21, the Board finds that it has jurisdiction over the establishment and maintenance of an escrow account for each of the coalbed methane gas drilling units established by the Board through its pooling orders. In the case of pooled conventional gas drilling units, the Designated Unit Operator is required to deposit, as applicable, into the applicable escrow account those funds specified in Va. Code § 45.1-361.21.D which are attributable to the deemed-to-have leased interests of unknown or unlocatable gas owners. Further, the Board finds that it has the jurisdiction and authority to disburse funds from the Escrow Account provided the Designated Unit Operator certifies to the Board that unknown and/or unlocatable gas owner(s) have been identified and located and that specified funds on deposit in the escrow account are attributable to their interests in the Subject Drilling Unit.

4.

Prior Proceedings:

- 4.1. By order entered November 19, 1992 and filed with the Clerk of the Circuit Court of Dickenson County, VA on November 19, 1992 at Deed Book 287 at Page 500 ("Pooling Order"), the Board pooled all the conventional gas interests in the Subject Drilling Unit, including those of the Heirs. The Board entered its Supplemental Order Regarding Elections on January 3, 1994 which was filed with the Clerk's office on January 6, 1994 at Deed Book 297 at Page 432 ("Supplemental Order"). The Pooling Order and the Supplemental Order identified the unknown and unlocatable Heirs as owners of gas and oil interest in Subject Drilling Unit. Pursuant to Va. Code § 45.1-361.21.D, payments attributable to the interests of the Heirs were to be deposited by the Designated Unit Operator into an escrow account established by the Pooling Order and held for the benefit of said owners. As instructed by the Board through the Pooling Order and the Supplemental Order, the Escrow Agent established the Escrow Account for Subject Drilling Unit (herein "Escrow Account"), and thereafter the Escrow Agent periodically received from the Unit Operator for deposit into the Escrow Account proceeds which were designated by the Operator through its royalty statements as being attributable to gas interests of the unknown and unlocatable Heirs.
- 4.2. The Designated Unit Operator filed with the Board an amended affidavit regarding elections, escrow and supplemental order dated September 19, 1994 seeking to amend the exhibits attached to the Pooling Order and the Supplemental Order to reflect that certain of the Heirs of Nancy Hill, deceased, had been identified and located. By order entered December 29, 1994 and filed with the Clerk on January 17, 1995 at Deed Book 306 at Page 272 the Board amended the Supplemental Order to reflect the identities and locations of certain of the Heirs ("Amended Supplemental Order"). By letters dated December 29, 1994 and January 3, 1995, the Office of the Attorney General mailed to each of the identified and located Heirs an application for their use in withdrawing from the escrow account funds attributable to their respective gas interest in Subject Drilling Unit; however, said applications were never executed and filed with the Board.
- 4.3. By letter dated June 28, 1999 to the Virginia Division of Gas and Oil, the Unit Operator advised the Board that through its continuing due diligence it had identified and located all the Heirs.
- 4.4. By letter dated September 1, 1999 the Board noticed the Applicants, the Unit Operator and the Escrow Agent of its intention to hear this matter on September 22, 1999; ordered the Unit Operator to file with the Board an amended affidavit of election, escrow and supplemental order so that Board could amend the Amended Supplemental Order to reflect the changes identified in Operator's letter of June 28, 1999; and ordered the Designated Unit Operator to provide an owner-by-owner accounting of the funds it had placed on deposit in the escrow account for the EH-65 Drilling Unit, i.e., identify for the Board the amount to be disbursed to each of the identified and located Heirs based on their gas ownership interest in Subject Drilling Unit (herein "Accounting Order"). By letter dated September 20, 1999 the Designated Unit Operator complied with the Accounting Order by filing the Affidavit Regarding Elections, Escrow and Supplemental Order which is attached hereto and made a part hereof (herein "Amended Affidavit").
- 4.5. Unit Operator seeks a disbursement of the Escrowed Funds it has determined is attributable to the Heirs' respective Gas interests in Subject Drilling Unit as more particularly set forth in the Amended Affidavit and the escrow accounting incorporated therein.

5. **Findings:**

5.1. Va. Code 45.1-361.21.D provides:

Any gas or oil owner whose identify and location remain unknown at the conclusion of a hearing concerning the establishment of a pooling order for which public notice was given shall be deemed to have elected to lease his interest to the gas or oil operator at a rate to be established by the Board. The Board shall cause to be established an escrow account into which the unknown lessor's share of proceeds shall be paid and held for his benefit. . ."

5.2 According to the Pooling Order and the Supplemental Order, and the Amended Affidavit filed in this matter: (a) the funds deposited by the Designated Unit Operator into the Escrow Account for Subject Drilling Unit consists of payments calculated by Applicant to be due those Heirs identified in Exhibit B to the Amended Affidavit and (b) Applicant has represented to the Board through the Affidavit that as of July 31, 1999 the funds set forth in the column of Exhibit B to the Amended Affidavit titled "Escrow Amount Due" are those funds which were on deposit in the Escrow Account on July 31, 1999 which are attributable to the Heirs' respective Gas interests in Subject Drilling Unit.

6. **Relief Granted:**

For the reasons set forth in Paragraph 4 and 5 above, and based upon the Amended Affidavit:

6.1 The Escrow Agent is ordered to disburse to the Heirs identified in Exhibit B of the Amended Affidavit all sums on deposit in the Escrow Account (as of July 31, 1999 said sums totaled \$3,692.02) by forwarding to each of said Heirs at the address shown on said Exhibit B a check in the amount of their respective share, including interest accruing less fees charged from July 31, 1999 through the date of disbursement. Thereafter, the Escrow Agent is directed to close the escrow account for Subject Drilling Unit unless and until otherwise ordered by the Board.

6.2 Further, the Supplemental Order filed in this cause is hereby modified to delete the requirement that lease payments attributable to the Heirs' gas ownership interests in Subject Drilling Unit be deposited by the Designated Unit Operator into the Escrow Account. To the extent not specifically granted herein, any other or further relief is denied.

7. **Conclusion:**

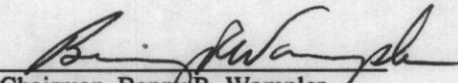
Therefore, the requested relief and all terms and provisions set forth above in Paragraph 6 above be and hereby are granted and IT IS SO ORDERED.

8. **Appeals:**

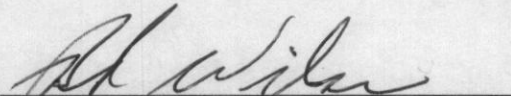
Appeals of this Order are governed by the provisions of Va. Code § 45.1-361.9 which provides that any order or decision of the Board may be appealed to the appropriate circuit court and that whenever a coal owner, coal operator, gas owner, gas operator, or operator of a gas storage field certificated by the State Corporation Commission is a party in such action, the court shall hear such appeal de novo.

9. **Effective Date:** This Order shall be effective on the date of its execution.

DONE AND EXECUTED this 2nd day of November, 1999, by a majority of the Virginia Gas and Oil Board.

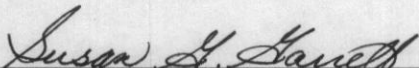

Chairman, Benny R. Wampler

DONE AND PERFORMED this 8th day of NOVEMBER 1999, by an Order of this Board.


B. R. Wilson
Acting Principal Executive to the Staff
Virginia Gas and Oil Board

COMMONWEALTH OF VIRGINIA)
COUNTY OF WISE)

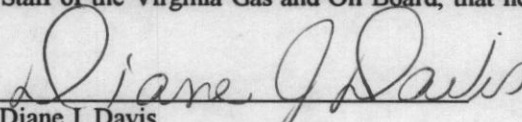
Acknowledged on this 2nd day of November, 1999, personally before me a notary public in and for the Commonwealth of Virginia, appeared Benny R. Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.


Susan G. Garrett
Notary Public

My Commission expires: July 31, 2002

COMMONWEALTH OF VIRGINIA)
COUNTY OF WASHINGTON)

Acknowledged on this 8th day of November, 1999, personally before me a notary public in and for the Commonwealth of Virginia, appeared B. R. Wilson, being duly sworn did depose and say that he is Acting Principal Executive to the Staff of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.


Diane J. Davis
Notary Public

My commission expires: September 30, 2001

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

IN RE:

Application of Edwards and Harding Petroleum Company (now Virginia Gas Exploration Company) for Forced Pooling of Interests in Unit Number EH-65, VGOB Docket No. VGOB-92/0317-0205 in the Willis District of Dickenson County, Virginia

AFFIDAVIT OF Edwards and Harding Petroleum Company (now Virginia Gas Exploration Company) (herein "Designated Operator") REGARDING ELECTIONS, ESCROW AND SUPPLEMENTAL ORDER

James E. Talkington, III (herein Affiant), being first duly sworn on oath, deposes and says:

1. That your Affiant is employed by Virginia Gas Exploration Company, the Designated Operator, at its office located at 200 East Main Street, Abingdon, Virginia 21210, that your Affiant is the Designated Operator's Vice President, and is authorized to give this Affidavit in its behalf;
2. That the Order entered on November 19, 1992, by the Virginia Gas and Oil Board regarding the captioned conventional Unit required the Applicant to mail a true and correct copy of said Order to each person pooled by said Order;
3. That within seven (7) days of the receipt of an executed copy of the Order referred to at Paragraph 2. above, your Affiant caused a true and correct copy of said Order to be mailed via the United States Postal Service to each Respondent named in the captioned Application, whose address was known, and to all persons, if any, who were added as Respondents at the hearing held in the captioned matter; that annexed hereto and incorporated herein are copies of the letters of transmittal, receipts for certified mail, and return receipts pertaining to said mailing;
4. That the Order of the Virginia Gas and Oil Board in the captioned matter required all persons pooled thereby to tender their written elections to the Unit Operator within thirty (30) days of the date said Order was recorded in the county above named; that said Order was recorded on November 19, 1992.
5. That the Designated Operator, Edwards and Harding Petroleum Company (now Virginia Gas Exploration Company) has established procedures to review all mail received and all written documents received by means other than by mail to ascertain whether parties whose interests have been pooled have made a written election, in a timely fashion, as required by the captioned Order; that said procedures were followed to

identify the elections, if any, made with regard to Subject Unit; that the following persons delivered, by mail or otherwise, written elections to the Unit Operator, within the thirty day election period:

None.

6. That the interests and/or claims of the following persons (who made timely elections, or who are deemed under the terms of the Board's Order to have leased, or who, subsequent to the pooling hearing held in the captioned matter, have leased or otherwise entered into an agreement with the Designated Operator) are subject to escrow under the Board's Order pooling the captioned Unit, Board Regulations and the Code of Virginia; that opposite the name of each person named as a Respondent listed below is set forth:

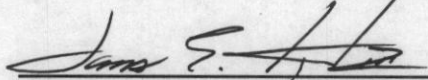
See Attached

7. That after the pooling hearing held in the captioned matter, the following persons have leased or entered into a voluntary agreement with the Designated Operator with regard to their interests and/or claims which are not subject to escrow and should, therefore, be dismissed as Respondents:

None

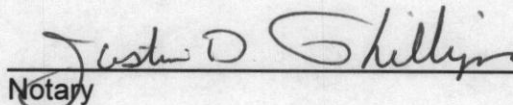
8. That pursuant to the provisions of VR 480-05-22.27.C and VR 480-05-22.2.8, annexed hereto and incorporated herein is a proposed supplemental order to be entered to complete the record regarding elections; that said annexed supplemental order sets forth and identifies the conflicting claims and/or interests which require escrow of funds pursuant to the terms of §§ 45.1-361.21.D, 45.1-361.22.A.3 and 4.;

Dated at Abingdon, Virginia, this 20th day of September, 1999.



Affiant: James E. Talkington, III

Taken, subscribed and sworn to before me by James E. Talkington, III, the Vice President of Virginia Gas Exploration Company, a corporation, on behalf of the corporation, this 20th day of September, 1999.


Notary

My commission expires:

3/31/2002

EXHIBIT "B"
EH-65
VGOB 92/0317-0205
(for Heirs of Nancy Wood Hill, deceased)

<u>Lessor Name & Address</u>	<u>Lease Status</u>	<u>Interest</u>	<u>Interest Within Unit</u>	<u>Gross Acreage In Unit</u>	<u>Net Revenue Interest</u>	<u>Escrow Amount Due</u>
Ida Hill Mullins RR 1, Box 152 Haysi, VA 24256-9719	leased	0.14280	0.01686468	2.11921569	0.00210809	\$527.22
Oliver Edmond Hill Rt 1 Haysi, VA 24256	unleased	0.01590	0.00187779	0.23596309	0.00023472	\$58.70
David Clay Hill Rt 1 Back Bone Ridge, Haysi, VA 24256	unleased	0.01590	0.00187779	0.23596309	0.00023472	\$58.70
Imogene Yaney 620 212th Street Dyer, IN 46311	leased	0.01590	0.00187779	0.23596309	0.00023472	\$58.70
Edgar Troy Hill PO Box 322 Haysi, VA 24256	leased	0.01590	0.00187779	0.23596309	0.00023472	\$58.70
Calvin Hill 655 Lorraine Avenue Elmhurst, IL 60216	unleased	0.01590	0.00187779	0.23596309	0.00023472	\$58.70
Robert Ayers Hill 17756 Wentworth Avenue Lansing, IL 60438	leased	0.01590	0.00187779	0.23596309	0.00023472	\$58.70
Trula Mae Brady 5201 W. 83rd Place Crown Point, IN 46307	leased	0.01590	0.00187779	0.23596309	0.00023472	\$58.70
Janie Ellen Newell 649 S. Harvard Addison, IL 60101	leased	0.01590	0.00187779	0.23596309	0.00023472	\$58.70
Elizabeth Sue Phillips 508 W. Smith Valley Rd. Greenwood, IN 46142	unleased	0.00200	0.0002362	0.02968089	0.00002953	\$7.38
Nannie Mae Edwards Rt #1, Box 200 Haysi, VA 24256	unleased	0.00200	0.0002362	0.02968089	0.00002953	\$7.38
Patricia Ann Fields 4584 Candy Lane Lilburn, GA 30047	unleased	0.00200	0.0002362	0.02968089	0.00002953	\$7.38

EXHIBIT "B"
EH-65
VGOB 92/0317-0205
(for Heirs of Nancy Wood Hill, deceased)

<u>Lessor Name & Address</u>	<u>Lease Status</u>	<u>Interest</u>	<u>Interest Within Unit</u>	<u>Gross Acreage In Unit</u>	<u>Net Revenue Interest</u>	<u>Escrow Amount Due</u>
Charlotte Jean Edwards 59 Audrey Lane Tunnel Hill, GA 30755	unleased	0.00200	0.0002362	0.02968089	0.00002953	\$7.38
Armis Kenneth Hill 5547 Backwoods Rd. Mertle Beach, SC 29579	unleased	0.00200	0.0002362	0.02968089	0.00002953	\$7.38
Jeffrey Warren Hill 23595 Dulap Rd. Rockbridge, OH 43149	unleased	0.00200	0.0002362	0.02968089	0.00002953	\$7.38
Michelle Denise Sloan PO Box 8 Robinson Creek, KY 41560	unleased	0.00200	0.0002362	0.02968089	0.00002953	\$7.38
Crystol Michelle Ball Haysi, VA 24256	unleased	0.00200	0.0002362	0.02968089	0.00002953	\$7.38
Earl Hill 5100 Matt Road, Lot 203 Conton, Mich. 48188	unleased	0.01785	0.00210809	0.26490196	0.00026351	\$65.90
Finas Hill Rt #1 Haysi, VA 24256	unleased	0.01785	0.00210809	0.26490196	0.00026351	\$65.90
Marvin Hill Rt 7, Box 182 Abingdon, VA 24210	unleased	0.01785	0.00210809	0.26490196	0.00026351	\$65.90
Corbett Hill Estate(address unknown) ^{1/2}	unleased	0.01785	0.00210809	0.26490196	0.00026351	\$65.90
MacArthur (Mac) Hill 235 Vanbruen Rd. Milner, GA	unleased	0.01785	0.00210809	0.26490196	0.00026351	\$65.90
Darryl Hill 235 Marvin Fisher Rd. Bube, Ark 72012	unleased	0.01785	0.00210809	0.26490196	0.00026351	\$65.90
May Hill Bowman Big Stone Gap, VA	unleased	0.01785	0.00210809	0.26490196	0.00026351	\$65.90
Mary Hill Round 43133 Riggs Rd. Belle Ville, Mich. 48111	unleased	0.01785	0.00210809	0.26490196	0.00026351	\$65.90

EXHIBIT "B"
EH-65
VGOB 92/0317-0205
(for Heirs of Nancy Wood Hill, deceased)

<u>Lessor Name & Address</u>	<u>Lease Status</u>	<u>Interest</u>	<u>Interest Within Unit</u>	<u>Gross Acreage In Unit</u>	<u>Net Revenue Interest</u>	<u>Escrow Amount Due</u>
Reyford Hill Rt #1, Box 659 Clintwood, VA 24228-9754	unleased	0.01590	0.00187779	0.23596309	0.00023472	\$58.70
Lillie Stone 1656 N. 43rd Avenue Stone Park, IL 60165	leased	0.01590	0.00187779	0.23596309	0.00023472	\$58.70
Estill Hill Rt #1, Box 658A Clintwood, VA 24228-9754	unleased	0.01590	0.00187779	0.23596309	0.00023472	\$58.70
Kermit Hill 1422 Maple Round Lake Beach, IL 60073	unleased	0.01590	0.00187779	0.23596309	0.00023472	\$58.70
Charlie D. Hill Rt #1, Box 663 Clintwood, VA 24228-9754	unleased	0.01590	0.00187779	0.23596309	0.00023472	\$58.70
Tranver Hill Rt #1 Clintwood, VA 24228-9754	unleased	0.01590	0.00187779	0.23596309	0.00023472	\$58.70
Dorothy Newell Rt #1, Box 85B Hackleburg, AL 35564	unleased	0.01580	0.00186598	0.23447905	0.00023325	\$58.33
Beulah Hall PO Box 6 Haleyville, AL 65565	unleased	0.01580	0.00186598	0.23447905	0.00023325	\$58.33
Paul Hill PO Box 6 Haleyville, AL 65565	unleased	0.01580	0.00186598	0.23447905	0.00023325	\$58.33
Margie Georghogan PO Box 212 Hollister, FL 32147	unleased	0.02380	0.00281078	0.35320261	0.00035135	\$87.87
Geraldine Walk PO Box 327 Hollister, FL 32147	unleased	0.02380	0.00281078	0.35320261	0.00035135	\$87.87
Bessie Lou Kuehn PO Box 207 Hollister, FL 32147	unleased	0.02380	0.00281078	0.35320261	0.00035135	\$87.87

EXHIBIT "B"
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VGOB 92/0317-0205
(for Heirs of Nancy Wood Hill, deceased)

<u>Lessor Name & Address</u>	<u>Lease Status</u>	<u>Interest</u>	<u>Interest Within Unit</u>	<u>Gross Acreage In Unit</u>	<u>Net Revenue Interest</u>	<u>Escrow Amount Due</u>
Jerry Musick Rt #3. Box 5752 Palatka, FL 32177	unleased	0.02380	0.00281078	0.35320261	0.00035135	\$87.87
Harold Musick 642 Carrollton Bossier City, LA 71112	unleased	0.02380	0.00281078	0.35320261	0.00035135	\$87.87
Peggy Sue Clifton 7342 Spagon Drive Spring Hill, FL 34607	unleased	0.02380	0.00281078	0.35320261	0.00035135	\$87.87
Kathleen Mullins Wright 4402 Yolanda Avenue Louisville, KY 40215	unleased	0.02856	0.00337294	0.42384314	0.00042162	\$105.44
Aileen Mullins Bray 1406 Anna Lane Louisville, KY 40215	unleased	0.02856	0.00337294	0.42384314	0.00042162	\$105.44
Clayton Mullins 3767 Powell Avenue Louisville, KY 40215	unleased	0.02856	0.00337294	0.42384314	0.00042162	\$105.44
Griffon Mullins 3746 Craig Avenue Louisville, KY 40215	unleased	0.02856	0.00337294	0.42384314	0.00042162	\$105.44
Walter Mullins 3777 Parthenia Avenue Louisville, KY 40215	unleased	0.02856	0.00337294	0.42384314	0.00042162	\$105.44
Arlen Keen Route #, Box 283 Palatka, FL 32077 32177	leased	0.14280	0.01686468	2.11921569	0.00210809	\$527.22
Totals:		1.00000	0.1181	14.84044600	0.01476250	\$3,692.02

09-17-1999 10:05AM

FROM TRUST SERVICES, BRISTOL TO

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ALLOCATION REPORT FOR 7/1/99 TO 7/31/99

VGO VIRGINIA GAS & OIL BOARD

BEGINNING BALANCE	RECEIPTS	INTEREST	DISBURSE- MENT	TRANSFER OF FUNDS	FEE EXPENSE	GAIN/LOSS	BALANCE
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VGC UNIT EH-65 92-0317-0205 ACTIVE
VIRGINIA GAS COMPANY

DOP 09/19/1994 DOS 01/03/1994 DOW 00/00/0000 DOT 00/00/0000
DOB 00/00/0000 DOR 00/00/0000 NRD 00/00/0000 ERD 00/00/0000

ROYALTY BONUS

TRUST FUND	46.20	0.00	0.24	0.00	0.00	-0.04	-0.02	46.38
TOTAL	46.20	0.00	0.24	0.00	0.00	-0.04	-0.02	46.38

[VESTED PERCENT 100.0 AMOUNT 46.38]

ROYALTY INCOME

TRUST FUND	3608.34	33.14	18.49	0.00	0.00	-13.01	-1.32	3645.64
TOTAL	3608.34	33.14	18.49	0.00	0.00	-13.01	-1.32	3645.64

[VESTED PERCENT 100.0 AMOUNT 3645.64]

ACCOUNT

ACCOUNT	3654.54	33.14	18.73	0.00	0.00	-13.05	-1.34	3692.02
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[TOTAL VESTED AMOUNT 3692.02]